Benefits 101: Health Plans

Presented by Der Manouel Insurance Group

What is a Health Plan?

- A health plan is an insurance policy that provides, offers or arranges for coverage of designated health services for a fixed, prepaid premium.
- Different types of plans have different rules.
- Each individual has unique requirements regarding the types and amount of health care he or she needs in a given year. There is no single health plan that is best for everyone.

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Fee-for-service Plans

- Straightforward type of coverage in which insurers pay for health care services provided to plan participants
  - Choose any doctor you wish
  - Change doctors any time
  - Pay the same rate to use any hospital or clinic in the country
  - Pay a higher monthly cost for your medical care than you would as part of a managed care plan

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Health Maintenance Organization (HMO)

- A type of health insurance plan that usually limits coverage to care from doctors who work for or contract with the plan
  - Small copayment due for office visits and hospital stays
  - Generally will not cover out-of-network care except for emergencies
  - May require you to live and work within the service area
  - Requires you to select a primary care physician who will provide all your basic health service, and must give a referral for you to see a specialist

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Preferred Provider Organization (PPO)

- A type of health plan that contracts with medical providers, such as hospitals and doctors, to create a network of participating providers
  - You pay less if you use providers that belong to the plan's network
  - You can use doctors, hospitals and providers outside of the network for an additional cost
  - You do not have to choose a primary care physician

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Exclusive Provider Organization (EPO)

- Similar to a PPO in structure and operation
- Main difference: Services are covered only if you go to doctors, specialists or hospitals in the plan's network
  - There are exceptions for emergencies

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Point of Service Plan (POS)

- POS plans combine elements of both HMO and PPO plans
  - You may be required to designate a primary care physician to make specialist referrals
  - Services rendered by your primary care physician are typically not subject to a deductible
  - You may receive care from non-network providers but with greater out-of-pocket costs

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High Deductible Health Plan (HDHP)

- Health plans with high deductibles and low premiums
- Insurer will not cover most medical expenses (except for preventive care) until the deductible is met
  - Premiums are lower than other plans
  - Protects against high costs of severe medial issues
  - Designed to be compatible with tax-advantaged health savings accounts that can be used to pay for qualified out-of-pocket medical expenses

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Cafeteria Plans

- Benefit programs that allow employees to choose various benefits, such as life insurance, disability benefits, medical expenses and child care
  - Employers select the benefits that will be offered (only certain benefits can be provided)
  - Employees use pre-tax dollars to buy the benefits they want
  - Employers can also make contributions to subsidize benefits
- Also known as flexible benefit plans, or IRS Section 125 Plans

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Medical Savings Accounts

- Accounts that help individuals pay for qualified medical expenses
- Often paired with high-deductible coverage
- There are specific rules for each type of account, such as:
  - How much can be contributed
  - What the account's funds can be used for

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Health Savings Account (HSA)

- Employee-owned savings accounts available to people enrolled in an HSA-compliant HDHP
  - Money may be contributed by both the employer and employee
  - Contributions are not taxed
  - Funds must be used for IRS-defined qualified medical expenses to avoid taxes and penalties
  - Funds used for non-qualified medical expenses are subject to income tax and a 20 percent tax penalty
  - Funds roll over at the end of the year
  - Yearly limits on how much can be placed in an HSA
    - In 2014, $3,300 for individuals and $6,550 for families
  - No limit on how much the account can hold

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Health Flexible Spending Account (FSA)

- Arrangements that allow employees to pay for many out-of-pocket qualified medical expenses with tax-free dollars
  - Employer-owned
  - You do not have to be enrolled in an HDHP to be eligible for a health FSA
  - You decide how much of your pre-tax wages you want taken out of your paycheck
    - Up to $2,500 per year or your employer's established limit
  - Your employer can establish the types of expenses the health FSA's funds can be used for
  - Funds you don't spend by the end of the plan year cannot be used for next year's expenses
    - Usually a grace period of up to 2.5 months to use last year's funds

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Health Reimbursement Arrangement (HRA)

- Employer-funded group health plans from which employees are reimbursed tax-free for qualified medical expenses
  - Employer-owned
  - Employer determines the amount of money available in the account, the coverage period and the types of expenses the funds can be used for
  - Unused amounts may be rolled over to the next year, if employer permits year-to-year rollovers
  - You do not have to be enrolled in an HDHP to be eligible

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